

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 AGR-05 CEA-01

DODE-00 H-02 INT-05 L-03 NSC-05 PA-01 SS-15 STR-04

ITC-01 PRS-01 /093 W

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R 132126Z MAY 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 3184

INFO AMEMBASSY BOGOTA

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: ETRD, ECIN, VE

SUBJECT: ANDEAN PACT; DECISION 24

1. SUMMARY - PRESIDENT OF GOV INSTITUTE OF FOREIGN TRADE SAID VENEZUELA IS FIRMLY OPPOSED TO ANY FUNDAMENTAL MODIFICATION OF DECISION 24. IN CONVERSATION WITH ECON COUNSELOR, HE WAS ESPECIALLY CRITICAL OF ALLEGED "ILLEGAL PURCHASES" BY FOREIGN FIRMS OF SHARES IN CHILEAN STATE-OWNED ENTERPRISES. HE IMPLIED THAT USG SHOULD DISCOURAGE SUCH INVESTMENTS AS BEING INCONSISTENT WITH SUPPORT FOR THE ANDEAN GROUP. END SUMMARY.

2. IN CONVERSATION MAY 10 EMBASSY ECON COUNSELOR ASKED REINALDO FIGUEREDO, PRESIDENT OF GOV INSTITUTE OF FOREIGN TRADE (ICE), HOW GOV VIEWS PRESSURES IN ANDEAN GROUP TO MODIFY DECISION 24. FIGUEREDO SAID THAT VENEZUELA'S VIEWS ARE LIMITED OFFICIAL USE

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"VERY FIRM WITH RESPECT TO THE FUNDAMENTAL ASPECTS OF DECISION

24. VENEZUELA WILL NOT CONSENT TO NOR ACQUIESCE IN EFFORTS BY CHILE TO AMEND REQUIREMENTS FOR CONVERSION OF FOREIGN-OWNED FIRMS TO NATIONAL OWNERSHIP. ON THE OTHER HAND, VENEZUELA SEES ROOM FOR FLEXIBILITY ON LESS FUNDAMENTAL QUESTIONS. FOR EXAMPLE, THE GOV WILL NOT OPPOSE EFFORTS TO INCREASE THE 14 PERCENT LIMITATION ON REMITTANCE OF DIVIDENDS TO SUIT THE NEEDS OF SOME COUNTRIES.

3. FIGUEREDO WAS ESPECIALLY CRITICAL OF WHAT HE CALLED "ILLEGAL PURCHASES" BY FOREIGN FIRMS OF SHARES IN CHILEAN STATE-OWNED ENTERPRISES WHICH ARE BEING SOLD TO PRIVATE SHARE HOLDERS. FIGUEREDO EXPLAINED THAT SUCH PURCHASES ARE ILLEGAL IN THE SENSE THAT THEY VIOLATE AN INTERNATIONAL AGREEMENT TO WHICH CHILE IS COMMITTED. HE SAID THAT HE HAD WARNED BUSINESSMEN OF THE RISKS INVOLVED IN SUCH PURCHASES DURING A RECENT TRIP TO THE U.S. FIGUEREDO SAID HE BELIEVES FIRMLY IN SETTING CLEAR RULES FOR FOREIGN INVESTORS AND ABIDING BY THEM.

4. ECON COUNSELOR OBSERVED THAT US IS A FIRM SUPPORTER OF LA ECONOMIC INTEGRATION, INCLUDING ANDEAN PACT, BUT RESPONSIBILITY FOR DETERMINING CONDITIONS FOR FOREIGN INVESTMENT IS AN INTERNAL MATTER FOR PACT MEMBERS. FIGUEREDO REFERRED TO RECENT STATEMENT BY SECRETARY SUPPORTING LA ECONOMIC INTEGRATION IN CONTEXT OF SELA. HE SAID THE US MUST BE CONSISTENT IN SUCH SUPPORT. (ECON COUNSELOR TOOK OCCASION TO POINT OUT THAT U.S. HAS RECEIVED NO RESPONSE TO THE SECRETARY'S OFFER OF SUPPORT FOR SELA).

5. CARACAS PRESS (EL NACIONAL, MAY 12) REPORTED THAT FIGUEREDO MADE AN "OFFICIAL DECLARATION" ABOUT DECISION 24 AT A PRESS SEMINAR ON MAY 11. HE REPORTEDLY SAID THAT HE WISHED TO BE EMPHATIC ON THIS SUBJECT - VENEZUELA IS NOT CONSIDERING A MODIFICATION OF THIS FUNDAMENTAL RULE. THE CASE OF CHILE, HE SAID, IS A DIFFERENT SITUATION. THAT COUNTRY PRESENTED A CASE WHICH WAS ACCEPTED TEMPORARILY, BUT IT IS CLEAR THAT PRODUCTS OF FIRMS TO WHICH FOREIGN CAPITAL RETURNS WILL NOT BE PERMITTED TO BENEFIT FROM THE PACT.

6. IN VIEW OF OBVIOUS CONTRADICTION BETWEEN FIGUEREDO'S LIMITED OFFICIAL USE

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REFERENCE TO "ILLEGAL PURCHASES" AS REPORTED IN PARA 2 ABOVE AND HIS REFERENCE TO TEMPORARY ACCEPTANCE OF SUCH PURCHASES REPORTED IN PARA 4 (ANDEAN PACT DIVISION 97) ECON COUNSELOR TELEPHONED ICE LEGAL ADVISER FOR CLARIFICATION. LEGAL ADVISER, WHO WAS PRESENT DURING CONVERSATION, SAID FIGUEREDO WAS NOT REPEAT NOT REFERRING TO THOSE STATE-OWNED FIRMS WHICH ARE SPECIFICALLY LISTED IN THE ANNEX TO DECISION 97. CLEARLY, ONCE THE DECISION TAKES EFFECT, THOSE SALES WILL BE AUTHORIZED.

FIGUEREDO WAS REFERRING, HE SAID, TO ANY SALES WHICH MAY TAKE PLACE BEYOND THE SCOPE OF DECISION 97.

7. WITH RESPECT TO THE GOV'S OWN INTERPRETATION OF ANDEAN PACT REGULATIONS, MINISTER OF STATE CARMELO LAURIA RECENTLY TOLD THE AMBASSADOR THAT TWO CHANGES IN THE ENFORCEMENT PROCEDURES ARE CURRENTLY IN THE WORKS: (1) LIBERALIZATION OF THE ROLE IN TECHNOLOGY CONTRACTS TO PERMIT LONGER PERIODS AND EASIER RENEWAL; AND (2) AUTHORIZATION FOR FOREIGN COMPANIES TO TRANSFER EXISTING EQUITY TO OTHER FOREIGN COMPANIES AS LONG AS THERE IS NO CHANGE IN THE OVERALL FOREIGN/DOMESTIC PERCENTAGES.

8. COMMENT - THE EMBASSY ASSUMES THAT FIGUEREDO HAS SOME EVIDENCE TO INDICATE THAT FOREIGN FIRMS HAVE PURCHASED OR ARE ABOUT TO PURCHASE EQUITY IN CHILEAN STATE-OWNED ENTERPRISES IN VIOLATION OF ANDEAN PACT NORMS. EMBASSY SANTIAGO MAY WISH TO COMMENT.

9. WE INTERPRET FIGUEREDO'S REMARKS AS A WARNING THAT ANY US FIRMS WHICH COLLABORATE WITH THE CHILEAN GOVERNMENT IN UNDERMINING DECISION 24 RUN A SERIOUS RISK OF BEING BLACK-LISTED BY VENEZUELA AND OTHER PACT MEMBERS. HE ALSO SEEMED TO IMPLY THAT THE USG SHOULD DISCOURAGE SUCH COLLABORATION (IF IT EXISTS) AS BEING INCONSISTENT WITH ITS SUPPORT FOR THE ANDEAN GROUP. END COMMENT.
SHLAUDEMAM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, REGIONAL ORGANIZATIONS, INVESTMENT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CARACA05439
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760188-0800
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760559/aaaabyqa.tel
Line Count: 142
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2004 by ShawDG>; APPROVED <21 OCT 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANDEAN PACT; DECISION 24
TAGS: ETRD, ECIN, VE, ANDEAN PACT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006